

## Practical Tips and Topical IP Issues for Retailers September 15, 2016

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## Protection from Indemnitors in IP Lawsuits

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# Retailers are Targets for Patentees

- Retailers may be sued for patent infringement for selling a supplier's product.
- Many examples, including:
  - **Home Depot** (colour-changing LED strings) – SC-12-008052-00
  - **Canadian Tire** (vacuum cleaners) – T-1543-15
  - **Best Buy** (volume adjustment on TVs) – T-1653-11
  - **Costco & Wal-Mart** (holiday lights) – T-1841-11

## Other Targets for Patentees Include...

- Banks
  - “Data Treasury” litigation
- Telecommunications companies
  - IPTV litigation
- Pharmaceutical companies
  - Biologics

# Canadian Businesses are Canadian Targets

- Any Canadian business can be sued for infringement of an intellectual property right even though the product was made by another.
- Freedom to operate opinions provide comfort.
- Issue arises outside of patent law, such as in **industrial designs**:
  - Décor Grates – T-1419-13 (floor registers)

## Scope of IP Litigation

- Most IP cases brought in Federal Court.
- ~ 2100-2600 total Federal Court cases / year
- IP cases ~ 400 / year
- Patent infringement cases ~ 40-50 / year
- Retailers / Banks / Telecom ~ 5-10

# Suppliers are Not Common Targets

- Patentees often do not sue suppliers:
  - Suppliers may operate outside of Canada and do not themselves infringe.
  - Suppliers may be located in jurisdictions where lawsuits are challenging.
  - Retailers have money / assets (i.e. “why bother”).
  - Litigation costs increase with more Defendants.

# Indemnity Agreements are Standard

## → Pros:

- Supplier may compensate the retailer for litigation costs, including any settlement or damages.
- Retailer may have a free hand to select and instruct counsel.

## → Cons:

- Only provides a contract on which to sue.
- Enforcement can be challenging and costly.



## Key Concern

- If the supplier is not a party to the infringement action, it may challenge the result in a future action.
- Issues of patent infringement & validity may again be litigated in a subsequent contractual dispute.
- Makes future litigation more complicated, time consuming and costly.
- How to avoid...

## Easy Answer – Escrow Account

- Depending on amounts involved an escrow account could mitigate or solve any financial concern.
- Key issue is whether legal fees alone are included or if a potential damage award is also included.

## Why not bring a third party claim for relief?

- Federal Court has only statutory jurisdiction which excludes contract law except in limited cases.
  - Typically excludes enforcement of indemnities.
- Recent Federal Court of Appeal decision is interesting but not directly on point:
  - The Federal Court has jurisdiction to determine whether a patent infringement action had been settled by contract, and if so to enforce the settlement [2016 FCA 155].

## Rule 194(b): Naming the Supplier

- Little used rule of the *Federal Court* is 194(b).
- Rule 194(b) gives the Federal Court the power to add another person to the action, who the defendant claims “should be bound by the determination of an issue between the plaintiff and the defendant.”
- Key is that the indemnity and its enforcement are not at issue.

## Rule 194(b): Benefits

- The potential benefits of an order pursuant to Rule 194(b) are threefold:
  - Avoiding relitigation of patent issues.
  - Public relations.
  - Negotiating favorable indemnification terms.

## Rule 194(b): Key Case / Test

- Key case is *Merck & Co. v. Nu-Pharm Inc.*, 2001 FCT 790 (“*Merck*”)
- Stands for following propositions:
  - The threshold for granting leave under Rule 194(b) is arguably low.
  - The defendant must simply demonstrate that adding the third party would “not be superfluous or without useful purpose”.

## Rule 194(b): Key case / Test (cont'd)

- A third party's presence does not have to be "necessary" in order for it to be added under Rule 194(b).
- There must simply be a "good reason" for adding the third party.
- The Court's inquiry under Rule 194(b) should be whether "there are one or more issues that arise between [the parties to the main action] that the third parties should be bound by".
- Rule 194(b) remains an unused tool.

# Conclusion

- Know that a patent infringement lawsuit is possible.
- Negotiate the strongest indemnity agreement as protection.
- Consider naming other parties to the litigation even if specific relief is not requested.





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# Protect Your Brand: Practical Tips and Topical IP Issues

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# Equustek Solutions Inc. v. Jack, 2014 BCSC 1063



- Can a court make a word wide de-indexing order against a search engine to block specific websites to enforce a court order in which the operations of the sites are found to be infringing to?
- “The Court has inherent jurisdiction to maintain the rule of law and to control its own process. The power to grant injunctions is a broad one and is confirmed by s. 39 of the Law and Equity Act. Injunctions may be issued in “in all cases in which it appears to the court to be just or convenient that the order should be made ... on terms and conditions the court thinks just”...
- I conclude that the Court has authority to grant an injunction against a non-party resident in a foreign jurisdiction in appropriate circumstances. The fact that an injunction has not before been made against an internet search provider such as Google is reason to tread carefully, but does not establish that the Court does not have subject matter competence. Indeed, the notion that a court may only make the orders it has made in the past is anathema to the spirit of the common law.”



- “Google submits it would be unjust to make the order sought because de-indexing entire websites without regard to content of the specific URLs would constitute undue censorship...
- I do not find this argument persuasive. Google acknowledges that it alters search results to avoid generating links to child pornography and “hate speech” websites. It recognizes its corporate responsibility in this regard, employing 47 full-time employees worldwide who, like Mr. Smith, take down specific websites, including websites subject to court order. Excluding the defendant’s prohibited websites from search results is in keeping with Google’s approach to blocking websites subject to court order.”



- “Google argues that the Court should not make an order that could affect searches worldwide because it would put Google in the impossible situation of being ordered to do something that could require it to contravene a law in another jurisdiction...
- In the present case, Google is before this Court and does not suggest that an order requiring it to block the defendants’ websites would offend California law, or indeed the law of any state or country from which a search could be conducted. Google acknowledges that most countries will likely recognize intellectual property rights and view the selling of pirated products as a legal wrong.”



- “Google argues that the order sought is too broad. Google submits that if the injunction is granted it should be limited to Google.ca, the website designated for Canada, because no court should make an order that has a reach that extends around the world...
- On the record before me it appears that to be effective, even within Canada, Google must block search results on all of its websites. Furthermore, the defendants’ sales originate primarily in other countries, so the Court’s process cannot be protected unless the injunction ensures that searchers from any jurisdiction do not find the defendants’ websites.”



- “Google is an innocent bystander but it is unwittingly facilitating the defendants’ ongoing breaches of this Court’s orders. There is no other practical way for the defendants’ website sales to be stopped. There is no other practical way to remove the defendants’ websites from Google’s search results.”
- “The Court must adapt to the reality of e-commerce with its potential for abuse by those who would take the property of others and sell it through the borderless electronic web of the internet. I conclude that an interim injunction should be granted compelling Google to block the defendants’ websites from Google’s search results worldwide. That order is necessary to preserve the Court’s process and to ensure that the defendants cannot continue to flout the Court’s orders.”





- “The scope of remedial jurisdiction and the practice of exercising that jurisdiction with restraint was recently considered in the comprehensive judgment of Arnold J. in Cartier International AG v. British Sky Broadcasting Limited, [2014] EWHC 3354 (Ch.)...
- Canadian law on the authority to issue injunctions has paralleled that of England. In my view, Arnold J.’s conclusions with respect to the jurisdiction of English courts to grant injunctions are equally applicable to the Supreme Court of British Columbia....
- I acknowledge that the sort of orders I am discussing depend, in the final analysis, on the existence of a justiciable issue between the parties to the litigation. Where such a justiciable issue exists, however, the granting of injunctive relief against third parties as an ancillary means of preserving the parties’ rights is a well-established jurisdiction of the courts.”





- “Once it is accepted that a court has in personam jurisdiction over a person, the fact that its order may affect activities in other jurisdictions is not a bar to it making an order...”
- The only comity concern that has been articulated in this case is the concern that the order made by the trial judge could interfere with freedom of expression in other countries...
- “courts should be very cautious in making orders that might place limits on expression in another country...”
- In the case before us, there is no realistic assertion that the judge’s order will offend the sensibilities of any other nation. It has not been suggested that the order prohibiting the defendants from advertising wares that violate the intellectual property rights of the plaintiffs offends the core values of any nation. The order made against Google is a very limited ancillary order designed to ensure that the plaintiffs’ core rights are respected.”



“I note that the courts of many other jurisdictions have found it necessary, in the context of orders against Internet abuses, to pronounce orders that have international effects. Several such cases are cited in the arguments of FIAPF/IFPI, including APC v. Auchan Telecom, 11/60013, Judgment (28 November 2013) (Tribunal de Grand Instance de Paris); McKeogh v. Doe (Irish High Court, case no. 20121254P); Mosley v. Google, 11/07970, Judgment (6 November 2013) (Tribunal de Grand Instance de Paris); Max Mosley v. Google (see “Case Law, Hamburg District Court: Max Mosley v. Google Inc. online: Inform’s Blog and ECJ Google Spain SL, Google Inc. v. Agencia Española de Protección de Datos, Mario Costeja González, C-131/12 [2014], CURIA.”



- “The plaintiffs have established, in my view, that an order limited to the google.ca search site would not be effective. I am satisfied that there was a basis, here, for giving the injunction worldwide effect.”
- “I note concerns expressed by Google concerning the openness of the World Wide Web, and the need to avoid unnecessary impediments to free speech...
- Google does not suggest that the orders made against the defendants were inappropriate, nor do the intervenors suggest that those orders constituted an inappropriate intrusion on freedom of speech...
- There is no evidence that the websites in question have ever been used for lawful purposes, nor is there any reason to believe that the domain names are in any way uniquely suitable for any sort of expression other than the marketing of the illegal product.”

# Cartier International AG & Ors v British Sky Broadcasting Ltd [2016] EWCA Civ 658 (06 July 2016)



- “I come therefore to consider whether there exists a principled basis for making website blocking injunctions against the ISPs who are aware that their services are being used by third parties to infringe registered trade marks and other intellectual property rights. The judge considered that there was indeed a principled basis upon which such orders could be made ...
- In my judgment each of these three points is well made. The operators of the target websites need the services of the ISPs in order to offer for sale and sell their counterfeit goods to consumers in the United Kingdom, and the ISPs are therefore inevitable and essential actors in those infringing activities.”



- Under what circumstances may a court order a search engine to block search results, having regard to the interest in access to information and freedom of expression, and what limits (either geographic or temporal) must be imposed on those orders?
- Do Canadian courts have the authority to block search results outside of Canada's borders?
- Under what circumstances, if any, is a litigant entitled to an interlocutory injunction against a non-party that is not alleged to have done anything wrong?

- Google argues the courts below erred because:
  - There was an unwarranted restriction on Google's freedom of expression and the right of individuals to see an "uncensored" Internet.
  - No legal basis to make an order against Google.
  - The order violated principles of international comity.
  - The test for granting the injunction should be the same as for banning reporting of court proceedings.

- 
- Interveners supporting Google include: AG-Canada, BCLA, CCLA, EFF, Human Rights Watch, Open Media
  - Interveners supporting Equustek: AG Ontario, IFPI (and others), FIAPF
  - Denied leave include: CIPPIC, eBay, INTA

# What to watch for.....

- Legal basis for making orders against search engines and other intermediaries
- Can the injunction be applied to Google's different platforms (.ca, .com, .fr, etc.)?
- Are there freedom of expression concerns?
- Are there issues of comity?
- What factors should a court consider?



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# Implications.....

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